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TAGS: [PGOV](#) [PHUM](#) [KDEM](#) [VE](#)  
SUBJECT: VENEZUELA'S AUTOMATED VOTING SYSTEM: UNDER FIRE  
BUT MOVING FORWARD

REF: CARACAS 922

Classified By: Mark Wells, A/PolCouns, for Reasons 1.4(b) and (d).

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Summary  
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1. (C) Venezuela's new automated voting system will make its premiere in the August 15 recall referendum against President Hugo Chavez. The consortium behind the untested system, led by the U.S. company Smartmatic, has yet to finalize its contracts with the National Electoral Council (CNE). The consortium has imported 16,000 of the 19,200 touch-screen machines that will be deployed to voting centers, and is installing the dedicated network throughout Venezuela to connect them. Critics have attacked nearly every aspect of the system including the reliability of the machines, the vulnerabilities to "backdoor" tampering, and the expedited manner in which the CNE granted the concession to Smartmatic. Consortium reps maintain that the system is highly auditable, dependable, and will have been fully tested before August 15. But as this is Smartmatic's first venture into electoral technology, we cannot rule out significant problems during the referendum due to unforeseen technical or organizational problems. End summary.

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The Smartmatic-led Consortium  
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2. (C) The National Electoral Council (CNE) on February 16 awarded the concession for a new automated voting system to the SBC Consortium (see ref). The Consortium is led by Smartmatic, a Delaware-registered firm founded by Venezuelans with offices in Boca Raton, Florida. The firm maintains a research and development office in Caracas and has offices in Mexico. Smartmatic's owners are Antonio Mugica, Alfredo Anzola, and Roger Pinate, young Venezuelan computer engineers who went to the U.S. several years ago to make it in business. There are diverse rumors over the true identity of Smartmatic's investors; among them are Caracas daily El Universal, owners of Caracas' renowned Tamanaco Hotel, and even Vice President Jose Vicente Rangel. Jorge Tirado, an electoral expert working with Smartmatic, told poloff June 23 that Mugica and Anzola come from upper class anti-Chavez families -- Anzola's father is a member of the Coordinadora Democratica -- but the two engineers have kept quiet about their politics.

3. (C) Tirado said Smartmatic is responsible for providing the networking technology (i.e., Smartmatic's high-speed, encrypted network platform), electoral software, totalization services, and 19,200 voting machines and the programming and warehousing thereof. About 16,000 of the machines have been imported from Italian manufacturer Olivetti. Tirado said Smartmatic also purchased 1,000 backup machines and several hundred display models for a public education campaign. As Smartmatic has no previous electoral experience, the company formed a joint venture with Tirado's Caribbean Government Consultants (CGC), of Puerto Rico, to assemble the team that will operate the system. CGC will total the votes on election day and deliver the results to CNE Director Jorge Rodriguez, said Tirado.

4. (C) Venezuela's privatized telephone company, CANTV (28-percent owned by Verizon), will provide site support and transmission of data to the CNE. CANTV General Manager for Businesses and Institutions Ramon Ramirez told poloff June 23 they have hired 8,000 on-site representatives to connect the machines and attend to basic maintenance problems (paper jams, power supply, etc.). CANTV reps will also be present at smaller centers that will use manual ballots (covering five percent of the electorate) and transmit the data by cellular telephone or satellite. An additional 1,000 technicians will be on call throughout Venezuela to handle other problems, such as removing a defective unit and

transferring voting data to the replacement.

15. (C) The final consortium member, Bizta, is a small Venezuelan software company run by a Venezuelan software engineer. Smartmatic's owners, according to Tirado, were Bizta's principal investors. As reported by the Miami Herald, Bizta had received a \$200,000 investment from a Venezuelan venture capital fund last year and named a GOV science ministry official to Bizta's board. Tirado described these as one-year loans, carried out in two \$100,000 tranches. The final tranche was reimbursed, said Tirado around the time the Miami Herald story broke. Bizta's role in the Consortium, said Ramirez, is to adapt Smartmatic's software and machines to Venezuela's electoral regulations. For the referendum, Ramirez said, this amounts to designing the touch screen image that will be displayed to voters. For the more complex regional elections, Bizta will oversee the application of formulas for figuring the proportional representation of municipal councils.

16. (C) Ramirez said the CNE held a private bidding process due to time constraints, which meant the CNE invited specific companies to present bids. After winning the bid, Smartmatic signed a \$63 million contract (via a GOV letter of credit) with the CNE to buy the voting machines and other computer equipment. Two service contracts -- about \$24 million for the referendum and \$28 million for the regional elections -- have not been signed. Ramirez attributed the delays to budget shortfalls at the CNE, which by law cannot sign a contract unless the obligated funds are in its accounts. Ramirez said the CNE Director Rodriguez's recent purchase of fingerprint readers for the election (see para 11) caused the budget shortfall. Of the approximately \$52 million in services, Tirado said Smartmatic will receive 51 percent, CANTV 47 percent, and Bizta 2 percent.

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How It Works  
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17. (C) The Smartmatic machines are re-engineered lottery machines with a six-inch touch screen, a built-in printer, and a network connection. Machines are pre-programmed to accept a specific number of votes corresponding to its assigned electoral table. Tirado said the maximum number of votes one machine can accept is 600 -- hence, a voting center with 1,500 votes will be assigned three machines, two with 600 votes each, one with 300. Voters will read the referendum question, press "yes" or "no" boxes on the screen, and lock in their votes. The machine prints a receipt that confirms the vote. The receipt is deposited in an electoral urn. The Smartmatic system makes five electronic and two paper records of each vote. At the end of the day, the machine prints a tally sheet of the votes (acta) to be signed by the poll workers. The workers then transmit the results to the CNE via CANTV regional data centers.

18. (C) The CNE continues to debate the referendum procedures, though CANTV's Ramirez said the system is designed to be "highly auditable," in its software, hardware, and paper trail. It remains unresolved, therefore, whether the poll workers will tally the paper receipts and match them against the computerized results, known as a "hot audit." Representatives of the Coordinadora Democratica have told us they will insist on the "hot audit," though CNE Director Rodriguez has suggested publicly that this extra step could delay the certification of results. Tirado said the "hot audit" is not necessary and would probably cause more problems than it solves. Tirado said the CNE may authorize an expanded acta that lists every vote cast on the machine. Tirado said the CNE does not plan to give actas to international observers, though the system could be programmed to do so (party representatives will get a copy). Tirado said if everything goes smoothly with the data transmission, his team would have preliminary results for the CNE by midnight on election day.

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Critics Attack the System  
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19. (C) Electoral experts, some of them linked to Smartmatic's competitors, raised multiple questions about the system. Generally, there is doubt whether re-engineered lottery machines, never before used for an electoral event, can do the job, such as whether the touch-screens will be properly calibrated or the printers will function smoothly. There are also doubts as to the electronic security of the machines and data network. Since the votes are stored electronically, critics say, manipulation is possible no matter how sophisticated the machines. (Tirado said a team of 20 computer programmers -- 10 from the GOV and 10 from the opposition -- are currently testing the machines to ensure their reliability on this and other points.) Software codes, to which the CNE will have complete access, can also be changed, critics charge. Ramirez commented that some Chavez supporters have alleged the USG will "use its satellites" to

manipulate the referendum results.

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Where's The Fraud?  
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110. (C) Consortium reps defended the security of their system. Ramirez pointed out that the 19,200 machines will be sending their data on election night in short bursts of no more than two minutes, making widespread tampering nearly impossible. Sumate representative Roberto Abdul told poloff June 23 he is not worried about the machines, but rather the computer server to which the machines report. Tirado said his team -- not the CNE informatics department -- would total the results and give them to the CNE. Abdul said Smartmatic can give whatever results they want to the CNE, but he did not rule out that the CNE could still change them. Tirado discounted the possibility, saying it would be difficult for the CNE cover up documented results. Asked whether he was prepared if the CNE decided to falsify the results, Tirado hinted that he had prepared a "contingency" plan to preserve the true results. Tirado said that he has consulted on more than 60 elections worldwide under shadier conditions; he asserted it would be a clean election.

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Fingerprints A No-Go  
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111. (C) Fraud aside, there is still a possibility that some unforeseen operational glitch crashes the system. The Consortium plans to stage a simulation of the system on July 18. Tirado said he is confident the system will work, but said there are two backup plans if there are interruptions, one of which is a manual vote. Ramirez said the CNE's insistence on using fingerprint readers to prevent multiple voting will jeopardize the system's success. Ramirez said the CNE plans to purchase 12,000 to 16,000 readers, fewer than the number of voting machines. The readers will scan the thumb and index finger prints from every voter, send the data to the CNE, where it will be checked against the prints of everyone who has already voted. Ramirez said the fingerprint readers have a 1 in 120 error rate, which could result in thousands of Venezuelans being denied the right to vote. Tirado said the plan is unworkable and doubted the CNE could get it deployed before the referendum.

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Comment  
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112. (C) The touch-screen system is a fait accompli. The opposition has largely accepted it, and is now focused on imposing enough controls on the system. The Consortium reps make good arguments to rebuff the criticisms, many of the which are not systemic, generalized issues. A system collapse cannot be ruled out completely, however, due to lack

of experience. Fraud and manipulation are still possible, though it seems to be more likely at level of the CNE board rather than among the technicians. All of this makes it more imperative than ever that the Carter Center, the OAS, and possibly the EU bring in as part of their observation team experts in automated voting systems and information technology. The sooner they arrive, the better they will be able to prevent fraud through manipulation of the Smartmatic machines.  
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